

## BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

ROBERT "BOB" BURNS - Chairman  
BOYD DUNN  
SANDRA D. KENNEDY  
JUSTIN OLSON  
LEA MÁRQUEZ PETERSON

In the matter of:

Maximo Natural Products, Inc., an Arizona Corporation

Ismael Villalobos a/k/a Ismael Villalobos Garcia, and Blanca Villalobos, husband and wife,

Respondents.

DOCKET NO. S-21090A-19-0326

**NOTICE OF OPPORTUNITY FOR HEARING  
REGARDING PROPOSED ORDER TO CEASE  
AND DESIST ORDER FOR RESTITUTION  
ORDER FOR ADMINISTRATIVE  
PENALTIES AND ORDER FOR OTHER  
AFFIRMATIVE ACTION**

**NOTICE: EACH RESPONDENT HAS 10 DAYS TO REQUEST A HEARING****EACH RESPONDENT HAS 30 DAYS TO FILE AN ANSWER**

The Securities Division ("Division") of the Arizona Corporation Commission ("Commission") alleges that respondents Maximo Natural Products, Inc. and Ismael Villalobos, have engaged in acts, practices, and transactions that constitute violations of the Securities Act of Arizona, A.R.S. § 44-1801 *et seq.* ("Securities Act").

**I.****JURISDICTION**

1. The Commission has jurisdiction over this matter pursuant to Article XV of the Arizona Constitution and the Securities Act.

**II.****RESPONDENTS**

2. Ismael Villalobos ("Villalobos") is a married man who has resided in Arizona at all times relevant to this Notice, i.e. from approximately March 2010 to present.



1           12. Respondents recognized that many or most of the investors had a limited  
2 understanding of English, and they provided all investment receipts in Spanish and conducted all  
3 investor meetings in Spanish.

4           13. Respondents offered and sold the Class A2010 shares from a location within Arizona,  
5 and at least 46 of the investors lived in Arizona at the time of purchasing the Maximo stock.

6           14. Although Villalobos formed Maximo in April of 2010, Maximo did not offer or sell  
7 any products to public until on or about April 21, 2013.

8           15. In approximately March of 2010, Maximo issued 1,000,000 shares of "Class A2010"  
9 stock to raise investment capital to fund and grow the company.

10          16. Respondents sold the Class A2010 stock shares for prices ranging from \$1.02 to  
11 \$10.20 per share and typically required investors to purchase at least 1,225 shares, equivalent to .25%  
12 of the 490,000 total shares offered to the public.

13          17. Respondents have never registered with the Commission as securities salesmen or  
14 dealers, and the Class A2010 stock offered and sold by Respondents was never registered with the  
15 Commission.

16          18. Respondents designated the shares of Class A2010 stock sold to investors as either  
17 "Common" or "Preferred" stock of the company, but no stock certificates were issued.

18          19. Potential investors learned about the opportunity to purchase the shares through word  
19 of mouth from Villalobos or from other investors.

20          20. During conversations with potential investors Respondents explained that stock  
21 purchasers would become "founders" of Maximo and their investment capital would be used to fund  
22 Maximo and enhance its "competitiveness and growth."

23          21. Respondents also told potential investors that they would receive returns on their  
24 investment once Maximo opened for business and became profitable.

25          22. Respondents required investors to sign either a "Preferred Stock Purchase  
26 Agreement" or a "Stock Purchase Agreement" (collectively "Purchase Agreements") and a



1 “Shareholder Agreement” to purchase the Class A2010 shares of Maximo stock. The Purchase  
2 Agreements and Shareholder Agreement were created by an individual working for and under the  
3 direction of the Respondents.

4 23. Despite knowing that all investors were Spanish speakers and recognizing that many  
5 had a limited understanding of English, Respondents only offered English language versions of the  
6 Purchase Agreements and Shareholder Agreement.

7 24. Any English speakers Villalobos attempted to recruit for Maximo declined to join  
8 because Maximo could not afford to pay them as much or as soon as they wanted.

9 25. Each Purchase Agreement and Shareholder Agreement was signed by the purchaser  
10 and by Villalobos acting on behalf of Maximo. The Purchase Agreements and Shareholder  
11 Agreements identify Villalobos as the CEO, CFO, and Secretary of Maximo.

12 26. Pursuant to the Purchase Agreements, investors agreed to purchase shares of Class  
13 A2010 Preferred or Common stock for a share price between \$1.02 and \$10.20 per share, and  
14 investors agreed not to resell the purchased stock until a specified future date.

15 27. Pursuant to the Shareholders Agreement, the investors agreed to keep the information  
16 they learned about Maximo confidential and to wait six months after the opening of the company to  
17 receive any profits.

18 28. On or about June of 2012, Respondents modified the Shareholder Agreements  
19 provided to six potential investors to include a requirement that the investors also purchase a  
20 minimum of \$100 of Maximo products each month as a means of increasing product sales.

21 29. Although some investors complied with this provision, in a sworn interview with the  
22 Division, Villalobos admitted that the monthly minimum purchase was not obligatory, and no  
23 investors were required to buy or sell Maximo products to purchase the Class A2010 stock.

24 30. Respondents did not restrict the sale of stock to accredited or sophisticated investors,  
25 and they did not require that investors verify their annual income or net worth before purchasing the  
26 Class A2010 stock.

1           31. Although each Purchase Agreement restricted the resale of the Class A2010 Stock  
2 until a specified future date, investors were free to sell their Class A2010 shares to anyone after that  
3 date, and the secondary purchaser would not be required to attend shareholder meetings or market  
4 Maximo products.

5           32. Since April 21, 2013, Maximo has sold nutritional supplements and beauty care  
6 products to the public, but the company has never made any net profits.

7           33. As of December 31, 2018, Villalobos had personally received at least \$177,822 in  
8 compensation as the CEO of Maximo, including more than \$98,000 before the company sold any  
9 products to the public.

10          34. Although some investors have received modest commissions for selling Maximo  
11 products, Maximo has never paid the investors dividends and investors have not received returns on  
12 their investment.

13          35. Respondents have returned a combined total of \$37,195 of investment principal to  
14 eight investors who have demanded refunds of their investment.

15          36. At all times relevant to this Notice, Maximo has been under the complete control of  
16 Villalobos, the CEO, sole director, and majority shareholder of Maximo.

17          37. Respondents conduct their regularly scheduled investor meetings in Spanish.  
18 Although Maximo and Villalobos request that the investors at the meetings vote on issues, as the  
19 CEO, sole board member, and majority shareholder, Villalobos has ultimate control of all decisions  
20 affecting the business.

21          38. On December 14, 2017, as part of a shareholder meeting, Respondents notified  
22 investors that disclosing information about Maximo to anyone outside of the company or outside the  
23 meeting would subject the investors to legal recourse.

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IV.

**VIOLATION OF A.R.S. § 44-1841**

**(Offer or Sale of Unregistered Securities)**

39. From on or about April 17, 2010, until on or about June 4, 2015, Respondents offered or sold securities in the form of stock of Maximo Natural Products, Inc., within or from Arizona.

40. The securities referred to above were not registered pursuant to Articles 6 or 7 of the Securities Act.

41. This conduct violates A.R.S. § 44-1841.

V.

**VIOLATION OF A.R.S. § 44-1842**

**(Transactions by Unregistered Dealers or Salesmen)**

42. Respondents offered or sold securities within or from Arizona while not registered as dealers or salesmen pursuant to Article 9 of the Securities Act.

43. This conduct violates A.R.S. § 44-1842.

XIII.

**REQUESTED RELIEF**

The Division requests that the Commission grant the following relief:

1. Order Respondents to permanently cease and desist from violating the Securities Act, pursuant to A.R.S. § 44-2032;

2. Order Respondents to take affirmative action to correct the conditions resulting from Respondents' acts, practices, or transactions, including a requirement to make restitution pursuant to A.R.S. § 44-2032;

3. Order Respondents to pay the state of Arizona administrative penalties of up to five thousand dollars (\$5,000) for each violation of the Securities Act, pursuant to A.R.S. § 44-2036;

4. Order that Respondent and Respondent Spouse be subject to any order of restitution, rescission, administrative penalties, or other appropriate affirmative action.



5. Order any other relief that the Commission deems appropriate.

XIV.

## HEARING OPPORTUNITY

Each respondent, including Respondent Spouse, may request a hearing pursuant to A.R.S. § 44-1972 and A.A.C. R14-4-306. **If a Respondent or a Respondent Spouse requests a hearing, the requesting respondent must also answer this Notice.** A request for hearing must be in writing and received by the Commission within 10 business days after service of this Notice of Opportunity for Hearing. The requesting respondent must deliver or mail the request to Docket Control, Arizona Corporation Commission, 1200 W. Washington, Phoenix, Arizona 85007. Filing instructions may be obtained from Docket Control by calling (602) 542-3477 or on the Commission's Internet web site at <http://www.azcc.gov/divisions/hearings/docket.asp>.

If a request for a hearing is timely made, the Commission shall schedule the hearing to begin 20 to 60 days from the receipt of the request unless otherwise provided by law, stipulated by the parties, or ordered by the Commission. If a request for a hearing is not timely made the Commission may, without a hearing, enter an order granting the relief requested by the Division in this Notice of Opportunity for Hearing.

Persons with a disability may request a reasonable accommodation such as a sign language interpreter, as well as request this document in an alternative format, by contacting Kacie Cannon, ADA Coordinator, voice phone number (602) 542-3931, e-mail [kcannon@azcc.gov](mailto:kcannon@azcc.gov). Requests should be made as early as possible to allow time to arrange the accommodation. Additional information about the administrative action procedure may be found at <http://www.azcc.gov/divisions/securities/enforcement/AdministrativeProcedure.asp>

## XV.

### ANSWER REQUIREMENT

Pursuant to A.A.C. R14-4-305, if a Respondent or a Respondent Spouse requests a hearing, the requesting respondent must deliver or mail an Answer to this Notice of Opportunity for Hearing

1 to Docket Control, Arizona Corporation Commission, 1200 W. Washington, Phoenix, Arizona  
2 85007, within 30 calendar days after the date of service of this Notice. Filing instructions may be  
3 obtained from Docket Control by calling (602) 542-3477 or on the Commission's Internet web site  
4 at <http://www.azcc.gov/divisions/hearings/docket.asp>.

5 Additionally, the answering respondent must serve the Answer upon the Division. Pursuant  
6 to A.A.C. R14-4-303, service upon the Division may be made by mailing or by hand-delivering a  
7 copy of the Answer to the Division at 1300 West Washington, 3<sup>rd</sup> Floor, Phoenix, Arizona, 85007,  
8 addressed to Mitchell Allee.

9 The Answer shall contain an admission or denial of each allegation in this Notice and the  
10 original signature of the answering respondent or respondent's attorney. A statement of a lack of  
11 sufficient knowledge or information shall be considered a denial of an allegation. An allegation not  
12 denied shall be considered admitted.

13 When the answering respondent intends in good faith to deny only a part or a qualification of  
14 an allegation, the respondent shall specify that part or qualification of the allegation and shall admit  
15 the remainder. Respondent waives any affirmative defense not raised in the Answer.

16 The officer presiding over the hearing may grant relief from the requirement to file an Answer  
17 for good cause shown.

18 Dated this 20 day of December, 2019.

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21 Mark Dinell  
22 Director of Securities  
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